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NEWS RELEASE

United States Ranks 18th for Retiree Wellbeing in 2019 Natixis Global Retirement Index

- Iceland, Switzerland and Norway continue to lead overall Index, while Ireland soars to No. 4 spot.
- US moves down two spots since last year. Despite improving employment and high income per capita, Americans are less happy; income inequality drags US performance.
- Developed countries are vulnerable to demographic headwinds as the number of retiring workers exceeds the volume entering the workforce.
- Natixis survey finds Millennials lead emphasis on sustainable investments.

BOSTON, Sept. 19, 2019 – The United States dropped two spots to No. 18 among developed nations on the 2019 Global Retirement Index, released today by Natixis Investment Managers. The annual index, a snapshot of the wellbeing and financial security of retirees in 44 countries, found the US ranked the same or lower in all four sub-indices: health, material wellbeing, finances and quality of life. The analysis by Natixis also identifies three global risks – low interest rates, longer lifespans and the high cost of climate change – that are weighing on retirees, policymakers and long-term global sustainability.

“Meeting the needs of today’s retirees while preserving retirement security for future generations continues to be one of the most pressing challenges for economies around the globe,” said Jean Raby, CEO at Natixis Investment Managers. “We created the Natixis Global Retirement Index to help facilitate a candid conversation about what steps need to be taken to ensure retirement security on a global scale.”

Now in its seventh year, the Natixis Global Retirement Index examines 18 factors which influence retiree welfare, in the areas of finances in retirement, material wellbeing, health, and quality of life. The Index calculates the relative performance for each of the 44 countries on each of these criteria, resulting in a composite score that provides a comparative tool for evaluating retirement security globally.

Highlights of the 2019 Global Retirement Index include:

- Western Europe continues to lead as a region, with 15 countries finishing in the top 25 for the third year in a row. The Nordic countries maintain their strong performance in the top 10, including Iceland (No. 1), Norway (No. 3), Sweden (No. 6) and Denmark (No. 7).
- Ireland advanced to No. 4 from No. 14 two years ago due to an improved score in the Health sub-index, where it moves into the top 10 (from 19th), driven primarily by the country’s higher per capita health spending. The country also performed well in Finances, powered by improvements in bank nonperforming loans and government indebtedness.
- Japan, which ranks No. 23, stands out for having the lowest score among GRI countries for old-age dependency, a measure of the number of active workers compared to the number of retirees. Japan has the highest life expectancy, but also one of the lowest fertility rates among developed countries. Despite having the highest score for employment in the Index, Japan has a small proportion of working-age individuals supporting those in retirement. This reflects a broader trend affecting many developed economies.

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Factors affecting the US GRI ranking

For all four sub-indices, the US ranked the same or lower in this year's Index compared to last year, including Material Wellbeing (28th from 26th), Finances (10th from 9th), Quality of Life (20th from 19th) and Health (held steady in 10th place). The following are notable factors affecting the US position:

- **Strong financial institutions, but growing pressure on government resources:** The US lost ground in the Finances category, but remains in the top 10. The Index reflects an increasing proportion of retirees to working adults, an ongoing trend that is putting growing pressure on Social Security and Medicare funds. Rising government debt and tax pressures also contributed to the US's lower score in the Finances category, which was offset by improvement in interest rates[1] and fewer nonperforming bank loans.
- **Economic inequality widens:** Despite rising employment, the gap between wealthy and poor continues to grow. The US has the eighth-worst score for income equality, even though it has the sixth-highest income per capita score among all GRI countries. These factors generated a lower score for the US in the Material Wellbeing category.
- **Lower life expectancy despite health spend:** The US maintains its position in the top 10 (at 10th) for health due to an improvement in insured health expenditure, which measures the portion of that expenditure paid for by insurance, and by maintaining the highest score globally for per capita health spending. But the US experienced a decline in life expectancy as Americans' longevity failed to keep pace with that of top-ranked Japan and other nations.
- **Quality of life in relation to retirement security:** A lower score for happiness, which evaluates the quality of retirees' current lives, weighed on the US's Quality of Life performance. However, the US continues to achieve the seventh-highest score for air quality on the Index and it showed improvement in its environmental factors indicator score, though not enough to lift it out of the bottom 10 in that category.

Three pressing risks for retirement security

The Natixis report, "Global Security. Personal Risks," supplements the 2019 Index and illustrates three pressing risks and their implications for retirees and future generations globally. The analysis serves to encourage dialogue among policymakers, employers and individuals to understand the impact and help manage the risks to society.

1. **Interest rates:** Interest rates do not appear to be rising anytime soon, and the related low yields on investments present hurdles for those looking to generate income in retirement. As a result, retirees may be forced to invest in higher-risk assets, thus exposing their portfolios to greater volatility at an age when they might not have time to recoup losses due to a market downturn. Indeed, more than four in ten Baby Boomers (aged 55–73 years old) in the US surveyed by Natixis earlier this year said they were blindsided by the market downturn in 2018.[2]
2. **Demographics:** Longevity represents a key risk for retirees. A Natixis survey of Baby Boomers found that one of their biggest fears is outliving their assets in retirement.[3] In the US, the ratio of

[1] Data Source: World Bank WDI 2019, OECD, based on the latest data available (2013 to 2017)
[2] Natixis Investment Managers 2019 Global Survey of Individual Investors
[3] Natixis Investment Managers 2019 Global Survey of Individual Investors

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older adults to working-age adults is climbing. By 2020, there will be about 3.5 working-age adults for each retirement-age person; by 2060, that ratio will fall to just 2.5.[4] This leaves policymakers with hard choices on how to address the funding crunch.

3. **Financial and health impacts of climate change:** The risk of climate change is often viewed through a long-term lens, but it poses tangible health and financial risks to today's retirees. The costs associated with natural disasters help force up insurance rates and consume government resources. Munich Reinsurance Company reports that severe events helped make 2018 the fourth-costliest year for insured losses since 1980.[5] Similarly, extreme heat has increased the risk of illness among older adults, particularly those with chronic illnesses, according to the US Environmental Protection Agency.[6]

Millennials lead emphasis on sustainable investing

The rapidly aging population in the US means a large percentage of people depend on Social Security payments at a rate that threatens the long-term sustainability of the nation's retirement system. At the same time, younger generations are leading the charge for long-term sustainability, seeking to have a positive impact on the world and, ultimately, their retirement security. Natixis research found Millennial investors (aged 23–38) in the US are more likely than older generations to align their personal and environmental and social values with investing and purchasing decisions:

- 59% of Millennials vs. 48% of Baby Boomers invest with the purpose of making a positive social or environmental impact.[7]
- 64% of Millennials vs. 42% of Baby Boomers actively seek out investment opportunities that align with their personal values.[8]
- 69% of Millennials vs. 48% of Baby Boomers look to buy products from companies that align with their personal beliefs.[9]
- 66% of Millennials would be more likely to increase contributions to their retirement plan if they knew their investments were doing social good; that compares with 50% of Baby Boomers.[10]

"Now in its seventh year, the Natixis Global Retirement Index has helped us initiate a dialogue about how to ensure retirement security," said Ed Farrington, Executive Vice President of Retirement Strategies at Natixis Investment Managers. "In the US, this dialogue is taking place, and progress is being made. The design of workplace savings plans has improved, efforts are under way to expand access to retirement plans and employers are offering sustainable investment choices. Our research shows that workers are more likely to save for retirement if their investments also are doing social good, and plan sponsors are beginning to realize that incorporating responsible investments doesn't necessarily require a trade-off with performance."

To download a copy of the Global Retirement Index, visit im.natixis.com/us/research/2019-global-retirement-index.

[4] U.S. Census Bureau's 2017 National Population Projections
[5] Munich RE munichre.com/topics-online/en/climate-change-and-natural-disasters/natural-disasters/the-natural-disasters-of-2018-in-figures.html
[6] EPA's Climate Change and Extreme Heat Report
[7] Natixis Investment Managers 2018 Global Survey of Individual Investors
[8] Natixis Investment Managers 2018 Global Survey of Individual Investors
[9] Natixis Investment Managers 2018 Global Survey of Individual Investors
[10] Natixis Investment Managers 2019 Defined Contribution Survey

Methodology

The Global Retirement Index assesses factors that drive retirement security across 44 countries where retirement is a pressing social and economic issue. It was compiled by Natixis Investment Managers with support from CoreData Research. The index includes International Monetary Fund (IMF) advanced economies, members of the Organization for Economic Cooperation and Development (OECD) and the BRIC countries (Brazil, Russia, India and China). The researchers calculated a mean score in each category and combined the category scores for a final overall ranking of the 44 nations studied.

About the Natixis Investment Institute

The Natixis Investment Institute applies Active Thinking® to critical issues shaping the investment landscape. A global effort, the Institute combines expertise in the areas of investor sentiment, macroeconomics, and portfolio construction within Natixis Investment Managers, along with the unique perspectives of our affiliated investment managers and experts outside the greater Natixis organization. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

About Natixis Investment Managers

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of more than 20 specialized investment managers globally, we apply Active Thinking® to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis Investment Managers ranks among the world's largest asset management firms[11] with more than $1 trillion assets under management[12] (€898.2 billion).

Headquartered in Paris and Boston, Natixis Investment Managers is a subsidiary of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Investment Managers' affiliated investment management firms include AEW; Alliance Entreprendre; AlphaSimplex Group; Darius Capital Partners; DNCA Investments;[13] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; H2O Asset Management; Harris Associates; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seeyond; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners;[14] Vaughan Nelson Investment Management; Vega Investment Managers;[15] and WCM Investment Management. Investment solutions are also offered through Natixis Advisors and Dynamic Solutions. **Not all offerings available in all jurisdictions.** For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers. Twitter: @NatixisIM

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[11] Cerulli Quantitative Update: Global Markets 2019 ranked Natixis Investment Managers as the 17th largest asset manager in the world based on assets under management as of December 31, 2018.
[12] Net asset value as of June 30, 2019 is $1.022 billion. Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

[13] A brand of DNCA Finance.

[14] Not yet licensed – currently pending authorization process as a portfolio management company with the French *Autorité des marchés financiers* (the "AMF").

[15] A wholly-owned subsidiary of Natixis Wealth Management.

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